

**Hydrocephalus Canada**

**ANNUAL FINANCIAL STATEMENTS**

**February 28, 2022**

## INDEPENDENT AUDITORS' REPORT

To the members of  
**Hydrocephalus Canada**

### Opinion

We have audited the accompanying financial statements of **Hydrocephalus Canada**, which comprise the statement of financial position as at February 28, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the organization as at February 28, 2022 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with Canadian auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Cholkan + Stepczuk LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
July 5, 2022

**Hydrocephalus Canada**

## STATEMENT OF FINANCIAL POSITION

February 28, 2022

Statement 1

|  | 2022             | 2021      |
|--|------------------|-----------|
| <b>ASSETS</b>                                    |                  |           |
| Current  |                  |           |
| Cash and cash equivalents                        | \$397,379        | \$292,906 |
| Accounts receivable                              | 22,854           | 27,304    |
| Deposits and prepaid expenses                    | 22,644           | 15,349    |
|  | <b>442,877</b>   | 335,559   |
| Endowment investments (note 2)                   | 221,446          | 221,092   |
| Equipment (note 3)                               | 8,758            | 974       |
|  | <b>\$673,081</b> | \$557,625 |
| <b>LIABILITIES</b>                               |                  |           |
| Current  |                  |           |
| Accounts payable and accrued liabilities         | \$13,772         | \$20,517  |
| Deferred contributions (note 4)                  | 36,234           | 12,960    |
|  | <b>50,006</b>    | 33,477    |
| <b>NET ASSETS (note 5) (Statement 2)</b>         |                  |           |
| Net assets internally restricted for research    | 6,000            | 9,000     |
| Net assets restricted for scholarship endowments | 218,228          | 218,228   |
| Unrestricted net assets                          | 398,847          | 296,920   |
|  | <b>623,075</b>   | 524,148   |
|  | <b>\$673,081</b> | \$557,625 |

APPROVED ON BEHALF OF THE BOARD:

, DIRECTOR

, DIRECTOR

Refer to the accompanying notes.

**Hydrocephalus Canada**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended February 28, 2022

Statement 2

| Net assets   | 2022                                 |                                       |              | 2021      |           |
|--|--------------------------------------|---------------------------------------|--------------|-----------|-----------|
|  | Restricted for research for research | Restricted for scholarship endowments | Unrestricted | Total     | Total     |
| Beginning of year  | \$9,000                              | \$218,228                             | \$296,920    | \$524,148 | \$472,127 |
| Revenues over expenses<br>(expenses over revenues) (Statement 3) | (3,000)                              | -                                     | 101,927      | 98,927    | 52,021    |
| Internally restricted, transfers                                 | -                                    | -                                     | -            | -         | -         |
| End of year  | \$6,000                              | \$218,228                             | \$398,847    | \$623,075 | \$524,148 |

Refer to the accompanying notes.

**Hydrocephalus Canada**

## STATEMENT OF OPERATIONS

Year ended February 28, 2022

Statement 3

|  | 2022            | 2021      |
|--|-----------------|-----------|
| <b>Revenues</b>                                      |                 |           |
| Fundraising  |                 |           |
| Lottery and bingo (note 6)                           | \$155,887       | \$148,045 |
| Donations  | 168,678         | 95,087    |
| Events and activities (note 7)                       | 24,321          | 31,422    |
|  | <b>348,886</b>  | 274,554   |
| Government grants and subsidies (note 11)            | 121,376         | 30,634    |
| Investment income (note 8)                           | 2,397           | 4,359     |
| Membership dues                                      | 2,140           | 3,080     |
|  | <b>474,799</b>  | 312,627   |
| <b>Expenses (Schedule 1)</b>                         |                 |           |
| Programs and services                                |                 |           |
| Awareness and education                              | 156,647         | 117,200   |
| Care and support                                     | 108,836         | 76,305    |
| Advocacy   | 15,322          | 11,853    |
| Research   | 9,270           | 10,956    |
| Scholarships   | 4,250           | 3,300     |
|  | <b>294,325</b>  | 219,614   |
| Fund development                                     | 46,221          | 11,398    |
| General administration                               | 32,406          | 28,895    |
| Amortization of equipment                            | 2,920           | 699       |
|  | <b>375,872</b>  | 260,606   |
| <b>Excess of revenues over expenses for the year</b> | <b>\$98,927</b> | \$52,021  |

*Refer to the accompanying notes.*

**Hydrocephalus Canada**

## STATEMENT OF CASH FLOWS

Year ended February 28, 2022

Statement 4

|   | 2022             | 2021             |
|---|------------------|------------------|
| <b>Cash provided by (used for):</b>                         |                  |                  |
| Operating activities  |                  |                  |
| Operating revenue sources                                   | \$480,589        | \$290,906        |
| Government subsidies  | 20,307           | 23,473           |
| Interest received   | 1,861            | 6,807            |
| Payments on account of expenses                             | (387,227)        | (248,248)        |
|   | <b>115,530</b>   | <b>72,938</b>    |
| Investing activities  |                  |                  |
| Purchases of equipment                                      | (10,703)         | -                |
| Interest (allocated to) redeemed from endowment investments | (354)            | (1,488)          |
|   | <b>(11,057)</b>  | <b>(1,488)</b>   |
| <b>Net increase in cash for the year</b>                    | <b>104,473</b>   | <b>71,450</b>    |
| Cash and cash equivalents, beginning of year                | 292,906          | 221,456          |
| Cash and cash equivalents, end of year                      | <b>\$397,379</b> | <b>\$292,906</b> |

*Refer to the accompanying notes.*

**Hydrocephalus Canada**

**SCHEDULE OF EXPENSE COMPONENTS**

Year ended February 28, 2022

Schedule 1

Expenses shown on the Statement of Operations are presented by program, service and function. The components of those expenses, by major category, are as follows:

|                         | 2022                   |                 |                                   |           |                        | 2021            |                                   |           |  |  |
|-------------------------|------------------------|-----------------|-----------------------------------|-----------|------------------------|-----------------|-----------------------------------|-----------|--|--|
|                         | Personnel remuneration | Occupancy costs | Direct program, postage and other | Total     | Personnel remuneration | Occupancy costs | Direct program, postage and other | Total     |  |  |
| Awareness and education | \$82,254               | \$18,869        | \$55,524                          | \$156,647 | \$60,901               | \$19,109        | \$37,190                          | \$117,200 |  |  |
| Care and support        | 64,168                 | 17,229          | 27,439                            | 108,836   | 24,395                 | 17,448          | 34,462                            | \$76,305  |  |  |
| Advocacy                | 7,634                  | 2,461           | 5,227                             | 15,322    | 4,602                  | 2,492           | 4,759                             | 11,853    |  |  |
| Research                | 5,118                  | 400             | 3,752                             | 9,270     | 6,748                  | 402             | 3,806                             | 10,956    |  |  |
| Fund development        | 35,794                 | 831             | 9,596                             | 46,221    | 7,431                  | 845             | 3,122                             | 11,398    |  |  |
| General administration  | 2,115                  | 1,255           | 29,036                            | 32,406    | 2,027                  | 1,278           | 25,590                            | 28,895    |  |  |
|                         | \$197,083              | \$41,045        | \$130,574                         | \$368,702 | \$106,104              | \$41,574        | \$108,929                         | \$256,607 |  |  |

Refer to the accompanying notes.



## Hydrocephalus Canada

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2022

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#### Nature of Organization

Hydrocephalus Canada ("the organization") is dedicated to empowering those impacted by hydrocephalus and spina bifida to experience the best life possible. The organization's efforts are focussed on creating solutions to support prevention and early, accurate diagnosis of hydrocephalus, access to safe, effective and appropriate treatment, the advancement of new treatments, optimal outcomes and ultimately, the discovery of a cure. Activities for the organization fall under four primary areas of influence. These are education, awareness, support and research.

The organization is organized under the Canada Not-for-profit Corporations Act. It is a registered charity under provisions of the Income Tax Act of Canada.

The financial objective of Hydrocephalus Canada, as is typical of not-for-profit organizations, is to have sufficient resources available to provide for its charitable programs and other expenses while upholding the long term financial stability of the organization. Annual net asset increases or decreases resulting from operations can be expected to fluctuate from year to year due to the unpredictable timing of certain revenues and program needs. Such fluctuations are factored into planning by management to achieve the objective.

#### 1 / Significant Accounting Policies

These financial statements have been prepared based on the following accounting policies, in accordance with Canadian accounting standards for not-for-profit organizations.

a. Financial instruments

All of the organization's financial instruments are stated at amortized cost, less impairment of value if any.

b. Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

c. Contributed services

The work of the organization is highly dependent on the efforts of its volunteers. Since the monetary value of volunteers' contributed services is difficult to determine, the value of these services has not been recognized in these financial statements.

d. Allocations of expenses

In addition to expenses directly attributable to a program or service function, each program or service is allocated a share of certain other expenses, such as personnel costs, rent, office equipment, etc. Allocations are estimated on the basis of actual time, space and other usage criteria, as appropriate to each expense. Expenses not reasonably attributable to any other program or service are added to general administrative expense.

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## Hydrocephalus Canada

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2022

#### 1 / Significant Accounting Policies *(continued)*

e. Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make reasonable estimates and assumptions that affect various amounts reported in these financial statements. Actual results can vary from these estimates.

f. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on current deposit and short-term deposits redeemable at any time, all with chartered banks, and which are not restricted for endowments.

#### 2 / Endowment Investments

|  | 2022             | 2021             |
|--|------------------|------------------|
| Bank guaranteed investment certificates; interest at 0.9% (2021 - 0.45%) maturing 2023 | \$183,177        | \$182,826        |
| Credit Union term deposit, bearing interest at 2% receivable annually, maturing 2024   | 38,022           | 38,022           |
| Savings accounts   | 247              | 244              |
|  | <b>\$221,446</b> | <b>\$221,092</b> |

#### 3 / Equipment

|                         | 2022            |                          | 2021           |              |
|-------------------------|-----------------|--------------------------|----------------|--------------|
|                         | Cost            | Accumulated Amortization | Net            | Net          |
| Office equipment        | \$5,041         | \$3,673                  | \$1,368        | \$974        |
| Computers & peripherals | \$9,238         | \$1,848                  | \$7,390        | -            |
|                         | <b>\$14,279</b> | <b>\$5,521</b>           | <b>\$8,758</b> | <b>\$974</b> |

The organization is still in possession of various pieces of equipment that are not reflected in the figures above because their costs of acquisition have been fully amortized.

#### 4 / Deferred Contributions

Deferred contributions represent contributions received but not expended for purposes specified by the contributor as well as accumulated undisbursed interest earned on scholarship endowments. Changes in the deferred contributions balance are as follows:

|   | 2022            | 2021            |
|---|-----------------|-----------------|
| Balance, beginning of year                                  | \$12,960        | \$15,697        |
| Restricted amounts deferred as at February 28, 2022         | 28,263          | 6,501           |
| Net restricted amounts recognized as income during the year | (4,989)         | (9,238)         |
| Balance, end of year  | <b>\$36,234</b> | <b>\$12,960</b> |

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## Hydrocephalus Canada

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2022

#### 5 / Net Assets

Internally restricted amounts are only available for designated purposes. Such restrictions are imposed by the Board of Directors and may only be changed with the approval of the Board.

Net assets restricted for endowments are maintained in segregated bank accounts and investment certificates. Endowment resources are to be maintained permanently, while the interest on the permanent endowment may be used to pay scholarships.

#### 6 / Lottery and Bingo Revenues

|   | 2022      | 2021      |
|---|-----------|-----------|
| Break open lottery proceeds net of awarded prizes | \$199,880 | \$227,226 |
| Less: Retailer commissions and supplier fees      | (62,539)  | (70,579)  |
| Provincial fees and licences                      | (12,672)  | (13,836)  |
| Ticket printing and other direct costs            | (28,917)  | (32,495)  |
|   | 95,752    | 110,316   |
| Bingo revenues net of awarded prizes              | 66,042    | 37,150    |
| Proceeds from 50/50 raffle net of prizes paid     | (5,907)   | 579       |
| Recovery (allowance) of uncollectible amounts     | -         | -         |
|   | \$155,887 | \$148,045 |

#### 7 / Fundraising Event and Activity Revenues

|  | 2022     | 2021     |
|--|----------|----------|
| Golf tournaments, walks and third-party events | \$24,728 | \$32,149 |
| Less direct costs                              | (407)    | (727)    |
|  | \$24,321 | \$31,422 |

#### 8 / Investment Income

|  | 2022    | 2021    |
|--|---------|---------|
| Income earned on unrestricted resources                    | \$1,170 | \$1,485 |
| Income earned on resources held for scholarship endowments | 1,591   | 4,337   |
| Total investment income earned in the period               | 2,761   | 5,822   |
| Less amount added to deferred contributions                | (364)   | (1,463) |
| Investment income recognized as revenue for the year       | \$2,397 | \$4,359 |

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## Hydrocephalus Canada

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2022

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#### 9 / Commitments

The organization has entered into a lease for its office premises and into contracts for equipment operating leases. Minimum future payments under these commitments are as follows:

|      |                 |
|------|-----------------|
| 2023 | \$16,397        |
| 2024 | 1,694           |
| 2025 | 1,270           |
|      | <u>\$19,361</u> |

In addition to the base rent payments included above, additional rent for a share of building operating costs is payable throughout the lease, which at February 28, 2022 was \$2,204 monthly. Also, the organization has made a specific commitment to provide awards of \$3,000 annually until 2024.

#### 10 / Financial Instrument Risks

The organization's investments are subject to interest rate risk, which refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. Investments and amounts receivable are also subject to credit risk, being the possibility that parties could default on their financial obligations. Liquidity risk that financial obligations may not be met exists as is does for all entities.

#### 11 / Government Grants and Subsidies

To mitigate the impact of the COVID-19 pandemic, government financial assistance has been made available to organizations as a temporary support measure. In the year, the organization applied for and received \$10,105 under the Canada Emergency Wage Subsidy program and \$4,981 under the Canada Emergency Rent Subsidy program. There were no COVID-related subsidies receivable at year-end.

Other government assistance in the year includes \$14,219 received through the Canada Summer Jobs program and \$134,200 received from the Ontario Trillium Foundation (OTF). \$27,910 of the OTF grant was deferred to future periods when the related expenses are expected to be incurred.